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Working-Class Households and the Burden of Debt

The Editors

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Press Coverage of the WTO Protests in Seattle

William S. Solomon

Exporting Managed Care to Third-World Countries

Howard Waitzkin and Celia Iriart

Also: Why Socialism? by Albert Einstein; Seeing the Forest *and* the Trees: The Politics of Rachel Carson by Ellen Leopold; Correspondence from James K. Galbraith, Leo Panitch, Sam Gindin; Index to vol. 51

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NOTES FROM THE EDITORS

In this issue, we reprint Albert Einstein's article "Why Socialism?," from vol. 1, no. 1 of *MR* (May 1949). Normally this would require no comment on our part, as it has become something of an *MR* tradition to run this essay in our May issue. This year, however, there are two special circumstances that require some discussion. The first is *Time* magazine's treatment of Einstein's political views in its December 31, 1999, issue on "Albert Einstein: Person of the Century." The second is the recent release, on the FBI's web page, of Einstein's FBI file to the general public.

In making Einstein its "Person of the Century," it was, of course, necessary for *Time* to say something about his political views. This raised a significant problem for the magazine, since (as it was forced to admit) during the McCarthy era, its sister publication *Life* had listed Einstein, in a photo spread that looked like a series of wanted posters, as one of the fifty most prominent "dupes and fellow travelers" of communism in the country ("Dupes and Fellow Travelers Dress up Communist Fronts," *Life*, April 4, 1949). For *Time*, this virulent attack on its "Person of the Century" by a publication in its own corporate family (representing the view that *Time* had also expressed during

(continued on inside back cover)

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Working-Class Households and the Burden of Debt

by the Editors

It is an old axiom, common to both Marxian and Keynesian economics, that uneven, class-based distribution of income is a determining factor of consumption and investment. How much is spent for consumption goods depends on the income of the working class. Workers necessarily spend almost all of their income on consumption, with relatively little left over for savings or investment. Capitalists, on the other hand, spend only a small percentage of their income for personal consumption. The overwhelming proportion of the income of capitalists and their corporations is devoted to investment. It follows that increasing inequality in income and wealth can be expected to create the age-old contradiction of capitalism: on the one hand, sluggish consumer demand narrows the marketability of the goods that capital needs to sell; on the other, profitable investment opportunities depend ultimately on vigorous growth in the effective demand for consumer goods. It is not possible—in the words of the early-twentieth-century U.S. economist J. B. Clark—simply to "build more mills that should make

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more mills for ever" in the absence of sufficient consumer demand for the products created by these mills.

Nevertheless, a growth in the share of wages and consumption in national income—which might seem to be an answer to this problem—always constitutes something of a barrier for capital because it contradicts its main imperative, as stated by Marx in *Capital*, vol. 1: "Accumulate, accumulate! That is Moses and the prophets!" Hence, a rapid increase in demand for consumption goods runs directly counter to the immediate need for capitalists to pay their workers as little as possible. Except for brief moments of full employment or rare periods of effective, militant, working-class struggle, capitalism's tendency has been to generate a widening gap in both income and wealth between the vested interests and the underlying population, which makes a consumption-based economic expansion, rooted in rising real wages, difficult—if not impossible—to achieve.

All of this may seem clear at the level of abstract theory, but an apparent anomaly surfaces when we turn to concrete, present-day economic conditions. Despite the astounding growth of information technology (software, semiconductors, telecommunications, and the Internet), which now constitutes the largest sector of investment in capital equipment, the present business-cycle expansion has been propelled not by investment so much as consumption. The current expansion, in its 108th month at the time of this writing, is the most consumption-dependent expansion of the entire post-Second World War period. Rather than venturing into a period of massive growth propelled by investment in a "New Economy" following new rules, we find that consumption is driving the expansion. The share of consumption expenditures in Gross Domestic Product (GDP) during the current expansion has risen nearly five percentage points above the average for all previous post-Second World War expansions, while the share of total fixed investment in GDP has fallen 1.4 percentage points below the average for all earlier expansions. Hence, investment remains semi-stagnant when compared with earlier expansions—reflecting

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the powerful tendency toward stagnation that continues to characterize the capital accumulation process.*

Equally significant is the fact that the rapid growth of both national income and consumption during the present expansion has been accompanied *not by rising real incomes for the majority of the population* but by stagnant wages. Most incomes, *Business Week* reported (February 14, 2000), are

> barely above pre-recession levels. And the gap between poor and rich is huge: the bottom fifth of U.S. households receives less than 4 percent of the national income, while the top fifth takes home almost half of it. 'The expansion has been very good for capital, but not for workers,' says Edward N. Wolff, a New York University economics professor.

But if this is the case, where is all of the consumption coming from? Has capital managed somehow to square the circle—to increase consumption rapidly while simultaneously holding down wages? The obvious answer—or a good part of it—is that in a period of stagnant wages, working people are increasingly living beyond their means by borrowing in order to make ends meet (or, in some cases, in a desperate attempt to inch up their living standards). To a considerable extent, the current economic expansion has been bought on consumer debt.

One indicator of this is the ratio of outstanding consumer debt to consumer disposable income, that is, income after taxes. Table 1 provides data on this ratio. What we see is rapid growth of consumer debt as a percentage of disposable income: from 68 percent in 1980 to 97 percent in 1999. Although the growth of debt as a percent of disposable income is normal during an expansion, record levels are now being reached, creating what *Forbes* magazine (March 6, 2000) has called an "unprecedented burden" of debt.

Such aggregate data, however, cannot account for the specific problems represented by debt management among various income (class) categories of the population. For that purpose, it is necessary to turn to the Federal Reserve Board's triennial Survey

*Data and analysis of these trends is drawn from Doug Henwood, "Booming, Borrowing, and Consuming: The U.S. Economy in 1999," *Monthly Review*, vol. 51, no. 3 (July-August 1999), pp. 122, 126. Data extends through the first quarter of 1999.

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Table 1: Outstanding Consumer Debt as a Percent of Disposable Income
(in billions of dollars)

	Consumer Debt	Consumer Disposable Income	Debt as a Percent of Disposable Income
1980	1374.1	2019.8	68.0
1985	2235.9	3086.5	72.4
1990	3554.3	4293.5	82.8
1995	4782.8	5422.6	88.2
1999	6466.8	6639.4	97.4

Note: Disposable income is the income after paying taxes.
Source: Board of Governors of the Federal Reserve System, Flow of Funds Accounts of the United States. March 10, 2000 release: Historical Series and Flows and Outstandings, Fourth Quarter 1999. Available at: http://www.bog.frb.fed.us/releases/Z1/Current/

of Consumer Finances (SCF) for 1998, released in January 2000. Family debt as a percentage of total family assets rose, according to this survey, from 12.4 percent in 1989 to 14.4 in 1998. What is known as the "debt burden of families," or the ratio of total family debt service payments to total family income, rose over the same period, from 12.7 percent to 14.5 percent. This is broken down into various income categories in Table 2.

All income groups shown in Table 2 saw their debt burden rise over the course of the 1990s. The debt burden was highest in 1998 for those families earning less than ten thousand dollars a year, as one would expect. The next highest debt burden is often carried by families with incomes between twenty-five thousand and 49,999 dollars. But in 1998, families with earnings in the fifty thousand to 99,999 dollar range were carrying an equal burden. The debt burden drops precipitously at or above an income of one hundred thousand dollars a year.

All of this points to the class nature of the growing debt burden of families. This is even more evident when looking at those indebted families who carry heavy debt burdens and those more than sixty days past due in their debt service payments. Table 3 shows the percentage of indebted families with ratios of total family debt service payments to total family income above 40 percent.

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Table 2: Family Debt Burden: Debt Service Payments as a Percent of Family Income

	1989	1992	1995	1998
Family Income (1998 dollars)				
less than 10,000	16.2	16.8	19.5	19.4
10,000-24,999	12.5	14.8	16.1	16.2
25,000-49,999	16.0	16.5	16.2	17.4
50,000-99,999	16.5	15.3	16.0	17.4
100,000 or more	8.0	10.7	8.7	10.0

Source: Board of Governors of the Federal Reserve System, "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," Federal Reserve Bulletin, vol. 86, no. 1 (January 2000), pp. 23-25.*

Table 3: Percentage of Indebted Families whose Debt Service Payments are above 40 Percent of Their Income

	1989	1992	1995	1998
Family Income (1998 Dollars)				
less than 10,000	28.6	28.4	27.6	32.0
10,000-24,999	15.0	15.5	17.3	19.9
25,000-49,999	9.1	9.6	8.0	13.8
50,000-99,999	4.9	4.4	4.2	5.7
100,000 or more	1.8	2.2	1.7	2.1

Source: See note to table 2.

*In the Survey of Consumer Finances, "family" has a meaning close to that of household (encompassing even single individual households under the term "family"). Hence, the two terms are used interchangeably in the present article when discussing that data. As stated in the survey results, "a household unit is divided into a 'primary economic unit' (PEU)—the family—and everyone else in the household. The PEU is intended to be the economically dominant single individual or couple (whether married or living together as partners) and all persons living in the household who are financially dependent on that person or persons. In other government studies—for example, those of the Bureau of the Census—an individual is not considered a family" (p. 27).

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It is clear from this data that financial distress resulting from heavy indebtedness is largely confined to working-class families with incomes below fifty thousand dollars per year, and that it is a very serious threat to families with incomes of less than ten thousand dollars per year (who, moreover, have no assets to fall back on).

This underlying condition of financial distress not uncommonly leads to defaults and bankruptcies. Evidence of this can be seen in the data on families who have been sixty days or more past due on debt payments in the year covered by the survey. The share of all indebted families who were sixty days or more overdue in a debt payment rose from 7.3 percent in 1989 to 8.1 percent in 1998. The breakdown in terms of income groupings is shown in Table 4. All income levels have seen marked rises in the level of such payment defaults since 1992. When compared with 1989, however, the increase in payment defaults is concentrated entirely among middle-income working-class families (with incomes of twenty-five thousand to 49,999 dollars per year). Not surprisingly, the percentage of indebted families in default is greatest among families with incomes of less than fifty thousand dollars a year and plummets among families with higher incomes. Again, we see that financial distress, associated with indebtedness, is based solidly in the working class.

Table 4: Percentage of Indebted Families who are Sixty Days or More Past Due on Any Debt Service Payment

	1989	1992	1995	1998
Family Income (1998 dollars)				
less than 10,000	20.9	11.6	8.4	15.1
10,000-24,999	12.2	9.3	11.3	12.3
25,000-49,999	4.8	6.3	8.6	9.2
50,000-99,999	4.5	2.2	2.7	4.5
100,000 or more	1.2	.5	1.3	1.5

Source: See note to Table 2.

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Over the past decade or more, major increases in debt financing have occurred in the area of home-secured debt (mortgages, second mortgages, home-equity loans, and lines of credit). In 1998, these accounted for 72 percent of household debt. For families with such home-secured debt (43.1 percent of families in 1998, up two percentage points since 1995), the median amount of home-secured debt rose 12.9 percent between 1995 and 1998. Rising home prices continue to subsidize much of consumer debt, with mortgage refinancing and home-equity loans—beyond the amount used for home purchases and renovations—constituting the basis for paying off thirty-four billion dollars in credit-card debt in 1998 alone. But with interest rates on their way up again, due to the Federal Reserve's recent rate hikes, refinancing will be less readily available for that purpose. Hence, "the chickens are coming home to roost," claims Stuart A. Feldstein, president of SMR Research Corporation (quoted in *Business Week*, November 1, 1999). As reported in *Forbes* magazine (March 6, 2000), this represents a perilous situation for the economy:

> 'It's a vulnerability,' agrees Daniel Bernstein, research director at Westport, Conn.-based investment manager Bridgewater Associates. He says that further increases in interest rates, which he expects over the next six months, run the risk of triggering personal bankruptcies, leading to forced sales of equities and real estate—and possibly ending the bull markets that he believes have been fueling consumer spending.

These conditions have been encouraged by changes in the tax system. The Tax Reform Law of 1986 disallowed deductions on tax returns for interest on installment credit. This spurred consumers to obtain second mortgages or refinance old mortgages since interest on the latter was deductible. The enlargement of mortgages (first or second) adds a potentially serious threat. If you don't pay your installment on your furniture or car, they are repossessed. But if you default on mortgage payments, you can lose your home. What happens, then, when the economy takes a downturn and people lose their jobs?

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Another area of increased borrowing is installment borrowing, which accounted for 12.8 percent of family debt in 1998. Installment borrowing, as the term is used in the SCF, includes "consumer loans that typically have fixed payments and a fixed term. Examples are automobile loans, student loans, loans for furniture, appliances, and other durable consumer goods." The median amount owed on installment loans rose by 36 percent between 1995 and 1998.

The growth of credit-card debt is equally staggering. In 1998, 55 percent of families with credit cards carried balances on their cards. "Since the early 1990s," Abby Scher wrote in *Dollars & Sense* (November-December 1998),

> banks have gone wild, upping credit limits on their customers' credit cards by more than a third, blanketing the country with 3 billion offers in 1997 alone . . . Among the beneficiaries of banks' desperate search for credit card profits are men at a Waltham, Massachusetts homeless shelter who, though unable to afford rent, regularly find credit card offers in their mailbox with come-ons like "Receive the Credit You Deserve."

No less disturbing is the growth of predatory lending, which gives borrowers higher interest loans than their credit histories call for, resulting in big profits for lenders. It has been estimated that 63 percent of subprime lending (loans at interest rates higher than that conventionally given to borrowers who are in the lowest risk categories, called A or A-minus) is now directed at borrowers whose credit histories would have qualified them for A or A-minus quality loans. Such predatory lenders aggressively market their loan services to working-class, and particularly minority, communities by means of mail, phone, television, and door-to-door solicitations. Loans through which consumers seek to consolidate their debt (by drawing on the equities in their homes) are common vehicles for such predatory, subprime lending. As Jeanette Bradley and Peter Skillern explain in *Dollars & Sense* (January-February 2000), "mortgage brokers and loan 'originators' on the staffs of banks or mortgage companies are often paid incentive commissions for

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placing borrowers into rates higher than the risk-based price that the underwriting guidelines call for."

All of this has served to blur the distinction between home mortgages and other forms of consumer finance. Home mortgages have now—through the expansion of equity loans and lines of credit, along with predatory lending—become inextricably intertwined with the crisis affecting consumer credit in general. Mortgage delinquencies are almost certain to rise in the near-term due to three factors: rising interest rates on adjustable-rate mortgages; the rapid growth of high-risk mortgage lending with downpayments of 10 percent or less; and an expansion of predatory or subprime lending within the home-secured lending market. According to *Business Week* (November 1, 1999), owner's equity as a percentage of residential real estate has dropped ten points since 1989, from 66 percent to 56 percent.

The massive accumulation of consumer debt, especially among working families, means that eventually, as Micawber declared in *David Copperfield,* "something has to turn up"—if bankruptcy is not to occur. A growing debt burden means increasing financial insecurity for most households. Real wage increases of a substantial nature are needed now, not so much to improve the standard of living of workers, but simply so that they can finance accumulated household debt that has risen perilously during the decades of stagnation and debt-financed recovery. Between 1995 and 1998, as the economic expansion of the U.S. economy matured, the median net worth of households in the two lowest income quintiles (less than ten thousand dollars and between ten thousand and 24,999 dollars) declined by 25 percent in the case of the lowest quintile and 20 percent in the case of the second lowest. This means a massive redistribution of net worth in a society in which, as Edward Wolff showed in his important work *Top Heavy* (1996), the top 1 percent of the population in 1992 already owned 37 percent of the total wealth of the society (46 percent of the financial wealth), while the bottom 80 percent of the population owned 16 percent of the wealth (8 percent of the financial wealth).

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The dire straits in which many heavily indebted, low- and middle-income families are caught is evident in a dramatic rise in personal bankruptcies, which have shot up from 330,000 in 1980 to 1.4 million in 1999. Together with the sharp increase in payment defaults among those with incomes from twenty-five thousand to 49,999 dollars, this has resulted in a dramatic push for "bankruptcy reform" in Congress at the instigation of financial firms (particularly credit-card companies) whose object, in the words of the *Washington Post* (February 18, 2000), is that of "clamping down on [bankruptcy] shelters that matter to poor debtors." If these "reforms" become law, the option of filing for Chapter 7, which cancels debts (as opposed to Chapter 13, which sets up a payment plan), will be greatly reduced. Debtors can file bankruptcy proceedings, but they will be increasingly compelled to pay off their loans! In this election year, the quality of U.S. democracy might be judged by the extent to which this supererogatory piece of extortion of the working class becomes an election issue.

At the same time that harsh new disciplinary measures are being considered in Congress for those who file for bankruptcy, we cannot forget that the overall economic reality is that of an expansion heavily dependent on the growth of debt. It is not just consumer debt, of course, that is fueling the current expansion but also corporate (and government) debt. Yet, corporations, due to record cash flow, have been borrowing less (as a share of GDP) in the last few years, while consumers are borrowing more. The problem with all private-sector debt, from the standpoint of the overall economy, is that it can quickly turn what would have been a mild economic downturn, with the coming of recession, into a much sharper crisis—due to cascading defaults. "History tells us that sharp reversals in confidence occur abruptly, most often with little advance notice," Federal Reserve Chairman Alan Greenspan warned in October 1999. Or as Marx put it nearly a century and a half ago, due in part to credit/debt expansion and the speculative excesses of money-market swindlers, "business is always thor-

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oughly sound, and the campaign in full swing, until the sudden intervention of the collapse" (*Capital*, vol. 3, chapter 30).

It would be wrong to assume that the buildup of consumer debt will necessarily spark such a crisis. But it is certain that this vast, unprecedented accumulation of debt—most of it a necessary result of attempts to compensate for stagnant or declining real wages—will make the coming recession far worse and its effect on working-class families more calamitous when it occurs.

These tributes from longtime friends of Paul Sweezy arrived too late to be included in the April issue.

Ossie Davis and Ruby Dee:

Paul Sweezy is one of the few thinkers we have always been able to turn to for help in our own thinking. His words are always simple, direct, profound, yet polite and user-friendly. He never overwhelms or intimidates us with his superior knowledge, but always leaves us plenty of room to breathe. The search for truth is an ongoing adventure. We are always pleased when Paul, out of the depth of his wisdom and width of his understanding, asks Ossie and Ruby to come along on the hunt.

Howard J. Sherman:

Paul Sweezy has had an enormous influence on my life and I consider him the greatest American Marxist of the twentieth century. When I felt desperate during the repression of the 1950s, Paul's activity and writing was a shining example that kept me going. His book, *The Theory of Capitalist Development*, formed the starting point for all of my books and articles on the business cycle. His work with Baran on monopoly profits was the inspiration for my dissertation and all of my subsequent work on profit rates. My personal meetings with Paul always gave me a tremendous lift, both personally and politically.

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More Form than Substance: Press Coverage of the WTO Protests in Seattle

by William S. Solomon

The mainstream U.S. news media have been shifting rightward for at least two decades, as their corporate owners enforce tighter ideological conformity. Oliver North and Pat Buchanan, for example, are now regular commentators on television talk shows. And all of the media now refer to people as "consumers," cogs in a capitalist machine. But still, news is less than half as profitable as entertainment, and media firms are intensifying pressures on their "news properties" for higher profits, which means the pursuit of upscale demographics. Owners are removing journalism's much-vaunted separation of newsroom practices and business decisions, blurring the line between news and entertainment, and forming partnerships with one another to offer online news services. As William Glaberson said in the *New York Times* in July 1995, "It is now common for publishing executives to press journalists to cooper-

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ate with their newspapers' 'business side,' breaching separations that were said in the past to be essential for journalistic integrity." Thus, in October 1996, the *Wall Street Journal* reported on a personal feud between Rupert Murdoch and Ted Turner: "The combatants quietly concede that they have become far too interdependent to let the fight escalate into global warfare."

The result is increasingly slick, shallow, sensationalist, and upbeat news that lacks any capacity—and avoids any attempt—to engage the public in critical thinking on basic issues. This is especially so with business and economics: Felicity Barringer reported in the *New York Times* in April 1998 that,"[M]ore than 250 Pulitzers in journalism have been awarded since 1978. Business figures prominently in about 10." The news media's role, as exemplified by the *New York Times*, is that of an "organ of reassurance," to use Doug Henwood's phrase. A case in point is the coverage of the protests against the World Trade Organization (WTO) in Seattle, which took place concurrent with the WTO ministerial meetings of November 29 through December 4, 1999. The coverage documents the corporate media's worldview, as they impose on the events and participants what Todd Gitlin, writing in the *Socialist Review* in 1979, called "standardized assumptions."

This essay studies the twenty-two reports and editorials in the *Los Angeles Times* and the thirty-five in the *New York Times*, from November 21 through December 21, 1999. These two papers are arguably the most influential daily newspapers in the United States, and among the largest. The *Wall Street Journal*, which has the second largest circulation in the United States, is not a general circulation newspaper; it aims primarily at financial elites, "middle management . . . startups and Internet-based companies," says Anne Stuart in *CIO Magazine* (December 15, 1999-January 1, 2000). And the jingoistic, tabloid-style *USA Today*'s news reports are so brief as not to sustain lengthy scrutiny.

The *Los Angeles Times* is owned by the Times-Mirror Company; the *New York Times*, a family-owned business since the late nineteenth century, announced in mid-March that it will be acquired

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by the Tribune Company in the near future. So probusiness coverage is the norm, not because of secret calculations in a top editor's office but for structural reasons. "Every publication is used to further its own interests from time to time," said a lawyer for media baron Rupert Murdoch, quoted in a piece by Elizabeth Jensen and Eben Shapiro in the *Wall Street Journal* in October 1996. Murdoch "does it no more often than anyone else." Ben Bagdikian, in the *Guild Reporter* (April 1982), notes:

> The new owning corporations of our media generally insist that they do not interfere in the editorial product. All they do is appoint the publisher, the editor, the business manager and determine the budget.
>
> If I wanted control of public information, that is all I would want. I would not want to decide on every story every day or say "yes" or "no" to every manuscript that came over the transom.
>
> I would rather appoint leaders who understand clearly who hired them and who can fire them, who pays their salaries and decides on their stock options. I would then leave it to them.

The coverage of the Seattle protests in the *New York Times* and the *Los Angeles Times* shows a common theme: Only zealots hold radical critiques of the WTO, which actually represents the best hope for the world's future. This theme is developed in many ways. First, radical critiques are attributed solely to marginal figures who hold unconventional, impractical, and possibly unwise views. "Who on earth were they," the *Los Angeles Times* wondered, "and what were they so mad about?" (December 3, p. A1). Such people represent "an array of special-interest groups" (*LAT*, December 3, p. A1), unlike the WTO delegates, who presumably represent virtually all of the world's peoples. Worse, some of the protesters are anarchists: a *New York Times* headline read, "Dark Parallels With Anarchist Outbreaks in Oregon" (December 3, p. A12).

The protesters "warn of a sinister, netherworld economy where children are exploited in Dickensian factories . . . [and] greedy corporations run roughshod over traditional ways of life" (*LAT*, November 28, p. A1). For them, the WTO is "a handmaiden of corporate interests" (*NYT*, December 1, p. A1), "the tyrannical

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symbol of a global economy that has shoved social priorities aside in a relentless quest for profits" (*LAT*, December 3, p. A1). The WTO meeting "has drawn" (*LAT*, December 1, p. A1) many delegates, but the protesters "descended" on Seattle (*NYT*, December 1, p. A1), which rather suggests a plague of locusts. Editorials were less subtle: The protesters are "a Noah's ark of flat-earth advocates" (*NYT*, December 1, p. A23). Their "vitriol no doubt plays well with certain audiences. . . . But many average Americans may instantly realize . . . [that] the idea of increasing corporate profits . . . is a goal you share with management" (*LAT*, December 5, p. C1).

Yet the coverage did not simply denigrate the protesters. Quite the contrary, it granted a degree of legitimacy to the many "peaceful" ones, as distinct from a "small knot" (*NYT*, December 1, p. A14) of "more militant elements" who used the police's behavior "as a cue to go on a rampage" (*NYT*, December 2, p. A1). This legitimacy came at a price: It oversimplified the array of views among the protesters. In so doing, it echoed Clinton's stance of siding "with the cause of many of the peaceful demonstrators"—as though they all shared one view—"even as he denounced those who engaged in violence" (*NYT*, December 2, p. A1). Further, it misrepresented the protesters' views: For many, Seattle was a venue for raising a more basic issue than the WTO or the World Bank—a strong critique of capitalism itself. This was abundantly clear to people in the streets of Seattle. Richard Smith, a participant, noted: "The anti-market, anti-corporate feeling, although strong, was still fairly inchoate. But most people . . . definitely were for . . . democratization of the economy. . . . Such demands are of course ultimately anti-capitalist because they can't be realized under capitalist property relations." For the *New York Times*, though, "the basic point the demonstrators sought to make" was "the need to reform the WTO's procedures and values" (editorial, December 2, p. A34).

Such misrepresentations supported the implication that the protesters' criticisms were not so dissimilar to those of many WTO

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delegates themselves. From the meeting's start, the WTO's "image . . . was . . . [that] of an institution under siege from within—among warring countries—and from without by unruly protesters" (*LAT*, December 2, p. A1). This scenario lent itself to a parallel theme: If only the protesters would understand "free trade" properly, then they would support the WTO. Quoting delegates to this effect was common: "These people don't understand the benefits of free trade to developing nations," said a German delegate (*NYT*, December 1, p. A14). Estonia's trade ambassador told some protesters, "I'm a socialist. You people are nuts" (*LAT*, December 1, p. A1). Swaziland's delegate said of Seattle: "International trade built this city, but people just don't get it" (*NYT*, December 2, p. A17). And China's chief trade negotiator stated: "Globalization is not a thing that everyone naturally understands" (*NYT*, December 2, p. A17).

Thus, it was the WTO's *failure to explain its case well,* rather than its *policies,* that the papers portrayed as a key cause of the demonstrations. "We need to do a better job in explaining to the general public what we do," said Mexico's trade ambassador (*LAT*, December 18, p. A1). "It's terribly sad to me that we have let people tell so many lies," said a delegate from El Salvador (*NYT*, December 2, p. A17). "Expansion of trade and investment . . . promotes the general welfare," said a former deputy U.S. trade representative. "Why they [critics] don't see that, I don't understand" (*LAT*, November 28, p. A1).

Language is perhaps the most basic indicator of the corporate media's views. Such terms as "free trade" and "liberalization" were not defined; their meaning was assumed to be so clear as to require no explanation. Thus "globalization" is simply a fact of life, rather like gravity; certainly it is not a continuation of colonialism and imperialism. Quite the contrary, the WTO was depicted simply as a means to render the essentially benign process of "globalization" as rational and equitable as possible. To "its most militant critics, globalization amounts to an assault . . . on deep-seated cultural values" and on the environment (*LAT*, November 28, p. A1). But "only recently has anyone dreamed of connecting such assorted griev-

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ances to trade policy" (*LAT*, November 28, p. A1). WTO proponents always "said," whereas WTO critics "argued" and "complained." In case this was too subtle, the appropriate perspective was made clear: "Economists regard free trade as just about as controversial as motherhood" (*LAT*, November 28, 1999, p. A1).

The protests themselves elicited the news media's longstanding aversion to social disorder—journalists are, according to Herbert Gans, the author of *Deciding What's News*, "as much concerned with the restoration of order by public officials as with the occurrence of disorder." Seattle "was engulfed in demonstrations that threw the opening of global trade talks into turmoil" (*NYT*, December 1, p. A1). A "daylong spasm of protest . . . paralyzed downtown Seattle . . . plunging parts of the city into chaos;" by day's end, "skirmishes continued between weary police and a remaining group of hardcore protesters" (*LAT*, December 1, p. A1). Thus "violence" was defined solely as social unrest and damage to private property, not as environmental damage and human suffering. Although police and protest groups had discussed the protest plans in advance, the police may have been misled by "extreme dissenters" (*LAT*, December 2, p. A1). Perhaps, the *Los Angeles Times* reported, the Seattle police should have been more proactive in learning the demonstrators' true intentions; in Washington, DC, the paper said, police "even use informants and undercover officers."

Reports on the protests were followed by reports commending delegates who "struggled . . . to salvage" the meeting (*LAT*, December 2, p. A1). Clinton's efforts "collapsed . . . after a rebellion by developing countries and deadlock among America's biggest trading partners" (*NYT*, December 5, p. A1). Just as Hanoi "fell" to the National Liberation Front, so the WTO talks were called the "Collapse in Seattle" (*NYT*, December 6, p. A30). Furthermore, despite the massive demonstrations, the WTO's impasse in Seattle was reported as solely a consequence of internal divisions. Follow-up reports noted the U.S. delegation's contention that "progress" was made, although "other countries reject the U.S. administration's thinking" (*LAT*, December 18, p. A1).

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Overall, the *Los Angeles Times* had more thorough coverage of the demonstrations, including the protesters' use of the Internet and of cellular telephones. The protesters "are astonishingly sophisticated in their understanding of the most important issues facing the world's population" (December 6, p. C6). When police chased demonstrators through streets outside downtown, "onlookers shouted from balconies and rooftops, a chorus of 'Let them go!'" (December 2, p. A1). The best quotation in all of the coverage was that of a young man yelling at police who were handcuffing dozens of demonstrators: "'You'll have to arrest the entire population of the world if you want to get us all!'" (December 2, p. A1).

The *New York Times* offered a broader context for viewing the protests. One report noted various international views: "In some countries, commentators could barely contain their glee at what they saw as a humiliating blow to American domination of the world trade agenda. . . . Brazil and other Latin American countries view the demonstrators as supporters of their own position—that the international economic order is unfair to developing countries" (December 2, p. A17). More pointed was a report that WTO officials "ducked significant action" on the "veil of secrecy surrounding its proceedings. . . . 'In England, it was called the Star Chamber,'" said a Sierra Club official. Said Ralph Nader: "The first thing a dictator wants is for no one to know what he's doing" (December 4, p. A6). This was as close as either newspaper came to explaining either the WTO's workings or its history. Similarly omitted was the background of WTO Director Mike Moore who, as a member of New Zealand's cabinet, aided in the "massive sell-off of public assets to international big business"—although his administration "had no mandate for privatization" (*Guardian/Observer*, letter to the editor, November 27).

The *New York Times'* and the *Los Angeles Times'* coverage was in sharp contrast to that in Britain's daily *Guardian* and Sunday *Observer*, which ran sixty-seven stories and editorials on the Seattle protests between November 21 and December 21, 1999. Its self-

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styled radical voice, made possible by the *Guardian*'s Scott Trust, is the "single exception" to Britain's concentration of media ownership and the consequence that "proprietors and their resources set clear parameters within which the creative activity of journalism must be conducted" (as Bob Franklin pointed out in *Newszak and News Media* in 1997). The parameters of the *Los Angeles Times* and the *New York Times* become clearer when their coverage is contrasted to that in the *Guardian/Observer*. Only the latter noted the international nature of the protests. First, the Seattle demonstrators came from various parts of the globe. Second, "simultaneously [with the Seattle talks] . . . nearly 1,200 non-governmental organizations in 87 countries will be calling for wholesale reform of the WTO" (November 25). A regular reader of the *Guardian/Observer* would not have been surprised by the WTO's impasse in Seattle, as there were a number of advance reports to the effect that "divisions between the world's main trading blocs . . . scuppered attempts to determine an agenda for a new round ahead of next week's meeting" (November 24).

In Seattle, the *Guardian/Observer's* staff filed a number of reports on the demonstrators' preparations: "There is a heady whiff in the air of anti-Vietnam protests" (November 30). Both U.S. newspapers estimated the protesters' numbers at thirty thousand; the *Guardian/Observer* said one hundred thousand. Similarly, the latter newspaper was far more willing to criticize the U.S. delegation's behavior: In the hotels, "'the U.S. is doing a bit of heavy arm-twisting to get some of the developing countries to sign up to their position, but it seems to have backfired,'" said a European Union official (December 1). U.S. officials "left it far too late to invite prime ministers and presidents who—once it was clear that the negotiations could become a PR disaster—found that their diaries were too busy to spend a couple of days in Seattle" (December 2). Most amusing was the report of a *Guardian/Observer* correspondent who was mistakenly given a delegate's credentials and thus was able to attend closed-door meetings: Many delegates seemed to doze, and "the only sign of life is a Latin American delegation where the

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minister could well be in love with his adviser. . . . In the far distance, one delegate is blowing bubblegum. One by one the developing countries say their bit, but it looks as if the gap is far too wide to be bridged" (December 3).

Only the *Guardian/Observer* reported that "African, Caribbean and Latin American nations" were "furious at heavy-handed attempts by the U.S." to pressure them to agree to a deal. The Organization for African Unity said "that it was prepared to block agreement in protest at the way it was excluded from behind-the-scenes discussions" (December 4). An Indian ecologist said that the WTO "is being rejected around the world as people recognize the face of unacceptable governance and undemocratic law-making" (December 4). The social unrest in Seattle was summed up by New York City Mayor Rudolph Giuliani: "'It indicates the remaining damage that Marxism has done to the thinking of people'" (December 4).

When an issue is important to the state and the corporate sector, they shape its coverage in the mainstream U.S. news media. (This point is made more extensively by Bagdikian in *The Media Monopoly* and W. Lance Bennett in his essay on press-state relations in the United States in the *Journal of Communication*, Spring 1990.) For these media, a basic critique—much less a total rejection—of the WTO is simply unthinkable. As exemplified by the *Los Angeles Times* and the *New York Times*, these media tended to trivialize and misrepresent the demonstrators' perspectives, thus devaluing them and rendering them more compatible with corporate values. This coverage is not explicable in terms of the media's use of new technologies (e.g., laptop computers, cellular telephones, and computerized databases). Nor is it explained by journalists' claims to "objectivity," or by scholars' assertions that the news is an idiosyncratic assortment of symbols and tropes. Rather, the mainstream U.S. news media's political economy is a far more reliable guide to their content.

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How the United States Exports Managed Care to Third-World Countries

by Howard Waitzkin and Celia Iriart

Introduction

In December 1999, Archbishop Desmond Tutu, Nobel Peace Prize winner from South Africa, gave the keynote address for an important conference in Miami Beach: the International Summit of Managed Care. The price for attending this conference, excluding travel, room, and meals, was $1395. The conference was sponsored by the American Association of Health Plans and the Academy for International Health Studies, and was targeted at "chief executive officers, presidents, board chairs, chief financial officers, directors of marketing, and business development officers." In addition to Tutu, ostensibly progressive participants at the

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meeting included former Congressman Ron Dellums, whose legislative efforts for a U.S. national health service have inspired health activists since the mid-1970s. Dellums took part in his new role as president of Healthcare International Management.

Although it received far less attention than the World Trade Organization (WTO) events one week earlier, the Miami Beach Summit manifested the same trends toward economic globalization to which protesters objected in Seattle. The World Bank, International Monetary Fund (IMF), and U.S. Agency for International Development (USAID) used the Summit to promote an expanded role for multinational corporations in healthcare throughout the world. Representatives of these multilateral lending agencies emphasized the privatization of public health systems and social security funds in Latin America, Africa, and Asia. Participants from the World Health Organization (WHO) and the Pan American Health Organization (PAHO) played prominent roles. Also participating were officials from Mexico, Brazil, Argentina, Chile, Colombia, Uruguay, Paraguay, India, Nepal, Thailand, Indonesia, the Philippines, Singapore, Nigeria, Zimbabwe, South Africa, Cameroon, Oman, United Arab Emirates, Romania, Canada, Germany, the Netherlands, Switzerland, and Australia. Little dissent was expressed about policies that call for public sector cutbacks, privatization, and greatly expanded activities for multinational managed care organizations (MCOs) throughout the third world.

Some Background

Managed care can be defined as healthcare services under the administrative control of large, private organizations, with "capitated" financing (which means that an employer—private or public—or a public agency prepays the MCO a negotiated sum of money per covered person per unit of time, typically a month). Copayments are made by the insured persons. Most insured persons in the United States are now covered by an MCO.

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As proprietary managed plans grow in the United States, the rate of profit predictably begins to fall as the market becomes increasingly saturated. As this process occurs, corporations must develop strategies to increase their profits. These strategies might include raising the productivity of labor, diversifying into new product lines, and searching for new markets. As the president of the Academy for International Health Studies noted in 1996, "By the year 2000, it is estimated [that] 80% of the total U.S. population will be insured by some sort of MCO. Since 70% of all American MCOs are for-profit enterprises, new markets are needed to sustain growth and return on investment."[1] In the United States, for example, for-profit MCOs have entered the public-sector programs of Medicare and Medicaid. In some geographic areas, these organizations have dismantled their programs after three or four years, having made extensive short-term profits from capitated patients—that is, those for whom the payer has made per-person, per-time-period payments to the MCO. Having received the money, the MCO can reap large profits by keeping costs (such as services to patients) as low as possible. This rapid entry into and exit from public markets has left patients and their public insurance programs vulnerable and needing to scramble for new, publicly funded alternatives.

Now, however, the emphasis is on the search for foreign markets. During the late 1980s and early 1990s, Europe looked like a good bet. Reforms in several European national health programs also introduced principles of managed care, market competition, and the privatization of public services. These reforms received the strong support of the Thatcher government in Britain, as well as varying degrees of enthusiasm from conservative parties in other countries. Alain Enthoven and his disciples, who orchestrated the managed-care proposals that shaped the Clinton Administration's ill-fated efforts for a national health program, served as consultants for European governments undertaking these reforms. However, the popularity and successes of public-sector programs in Europe proved to be powerful disincentives to privatization. Since

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the mid-1990s, European countries such as the United Kingdom, the Netherlands, and Sweden have reversed many policies that attempted to privatize their national health programs. In addition, managed care has become increasingly unpopular in the United States.

With managed-care saturation taking place domestically and with limited prospects in Europe, the managed-care corporations have turned their eyes toward third-world countries, especially those in Latin America. In the tradition of tobacco and pesticides, U.S. corporations are exporting to third-world countries—in the form of managed care—products and practices that have come under heavy criticism domestically. The exportation of managed care is also receiving enthusiastic support from the World Bank, other multilateral lending agencies, and multinational corporations. On the receiving end, third-world countries are experiencing strong pressure to accept managed care as the organizational framework for privatization of their health and social security systems. Already, U.S. MCOs and investment funds have rapidly entered the Latin American market, and this experience is serving as a model for the exportation of managed care to Africa and Asia.

In 1995, we initiated a study of managed care in Latin America, its exportation from the United States, and its varying impact on healthcare delivery and public health services. The research focused on the exportation of managed care by investor-owned, for-profit corporations that pass on financial risk to physicians, hospitals, and clinics, as opposed to those that simply sell commercial indemnity insurance.[2] Our results show that the healthcare and social security funds of third-world countries have become a major source of new capital and high rates of profit for these corporations, especially through the investment of prepaid capitation payments. We found that the rhetoric for the policy changes that are occurring throughout the third world emphasize the ideology of the private market as a route to more efficient and accessible services (a rhetoric which, by the way, can—along with the sizable honoraria and consulting fees—become quite seductive for progressive leaders like Tutu and Dellums). However, the

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evidence that such market reforms actually improve problems of inefficiency, costs, and access is slim indeed within the United States and virtually nonexistent elsewhere. That the rhetoric gains acceptance so easily by leaders in third-world countries portends tragedy. As public systems are dismantled and privatized under the auspices of managed care, multinational corporations predictably will enter the field, reap vast profits, and exit within several years. Then third-world countries will face the awesome prospect of reconstructing their public systems.

Managed Care as a Silent Reform

Managed-care reform generally focuses on healthcare costs as a crisis. To enable those entities that pay for healthcare to cut costs, the reform calls for an intermediary between providers and users, to separate financial administration from the delivery of services. Proposals for managed care imply the introduction of enterprises (state, private, or mixed) that administer financing under the concept of shared risk and that contract with managers for the inclusion of state-supported services.

In the widely debated 1993 World Development Report, entitled *Invest In Health*, the World Bank argued that inefficiencies of public-sector programs hindered the delivery of services as well as the reduction of poverty.[3] This report advocated incentives for private insurance, privatization of public services, promotion of market competition, and emphasis on primary care and prevention. Through this document and subsequent policies, according to Latin American critics, the World Bank has promulgated an ideology that "health is a private matter and health care a private good."[4]

Specifically, the World Bank has supported managed-care initiatives that convert public healthcare institutions and social security funds to private management and/or ownership. These initiatives entail new loans and thus increased foreign debt for participating countries. Access to capital held by public-sector social security

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funds has become an important incentive for investment by multinational corporations.

The pronouncements of the World Bank on the public sector in general and publicly supported healthcare in particular must be seen in light of the financial crisis faced by most Latin American governments in the 1990s, and the desire by global corporations to convert this crisis into money-making opportunities. As these governments turned to agencies such as the World Bank for loans to alleviate the crisis, they were pressured to accept certain conditions. These conditions implied increased debt, the opening of national economies to multinational finance capital, and the restructuring of the state via privatization and decreased public expenditures. Access to new loans requires acquiescence to such plans for "structural adjustment." In the healthcare environment, structural adjustment implies the acceptance by Latin American governments of the reform projects initiated by these lending agencies, especially the World Bank. By consenting to the requirements of structural adjustment, the governments gain access to loans but also must agree to carry out major cutbacks in public services.

Such reforms facilitate a new discourse, linked to the crisis of the welfare state. Gradually, "common sense" is transformed, as it concerns the conceptualization of health, illness, and healthcare services. In the official pronouncements we have studied, healthcare no longer remains a universal right whose fulfillment is the state's responsibility, but becomes a good of the marketplace. This kind of thinking makes it easier for politicians to implement healthcare "reform."

In the construction of the public-sector budget, new policies respond to demand rather than supply of services. In other words, healthcare will be available only as demanded. Theoretically, this approach allows a reduction of fixed costs and a more efficient management of resources, since excess services are controlled and financing is directed toward providers of presumably higher quality. According to this logic, to obtain financing, providers are forced to lower their costs and to offer higher quality services.

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Discourses supporting these policies emphasize the assumption (following a consumer sovereignty model) that, if purchasers feel in control of their contribution or payment for the service, they will comprise a natural regulator of costs and quality, since purchasers choose providers that offer the best services at the least cost.

Managed-care reforms usually produce fundamental changes in clinical practice. These changes involve the subordination of health professionals to an administrative-financial logic. The same reform proposals aim for a drastic reduction of independent professional practice, since professionals have to offer their services to insurance companies or the proprietors of large medical centers.

The political process that accompanies these reforms is usually a silent one, restricted to the executive branch of government. This process generally segments the policy-making process and therefore reduces political conflict. The desire to achieve silent policy-making was expressed as an explicit decision by such informants as an official of the World Bank's delegation in Argentina and a high official of the Ministry of Health and Social Action of that country. Reform policies are directed sequentially toward the public sector, the private sector, or the social security system, but they do not adopt a unified approach to the healthcare system as a whole. In general, policy implementation bypasses discussion in the legislative branch.

At each stage of this silent political process, the actors involved are only those who participate in each subsector (public, private, or medical social security); this approach hinders a societal perspective on reform. Within each subsector, participants try to accommodate the reform processes, without recognizing the impact on other subsectors. Nevertheless, the current reform processes actually achieve a profound articulation of the three subsectors (not achieved previously in most Latin American countries, despite a long-expressed need for this articulation), but under the command of private interests and especially of multinational finance capital.

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Economic Motivation for Exporting Managed Care

Executives of corporations entering the Latin American managed-care market report substantial rates of profit relative to investment, predict strong profit margins in the next several years, and expect high rates of return for investors. Officials responsible for the exportation of managed care emphasize its positive financial implications and rarely refer to preventive care or quality control, which historically have been valued by some health maintenance organizations (HMOs) in the United States. Support for education and research, also valued by some HMOs, has not emerged as an explicit goal.

In explaining their financial motivations for entering the Latin American marketplace, managed-care executives consistently refer to the importance of access to the social security funds within these countries. In contrast to the United States, most Latin American countries have organized social security systems that include healthcare benefits as well as retirement benefits for many employed workers in large private or public enterprises. Employers and workers contribute to these social security funds. For workers who are not covered by social security, and for unemployed people, most Latin American countries also have established public-sector healthcare institutions, including public hospitals and clinics.

Throughout Latin America, the social security systems have become very large funds, which are managed by government or publicly regulated agencies. North American executives see these Latin American social security funds as a major new source of finance capital. For instance, a managed-care executive—whom the EXXEL Group, a multinational corporation based in Argentina, recruited from Indianapolis—has noted: "It's a very lucrative market. . . . The real opportunity here for an investor-owned company is to develop tools in the *prepagas* [prepaid] market in anticipation of the *obras sociales* [social security] market."[5]

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Privatization of government health programs and social security systems has permitted major capital expansion for MCOs and investment funds. Public-sector programs in such countries as Colombia and Argentina previously have suffered from inefficiency, escalating costs, and corruption. Arguments supporting privatization that cite such problems have resembled those favoring managed care within the U.S. Medicare and Medicaid programs. As an example, the Chilean constitution of 1980, initiated by the Pinochet dictatorship, permitted the diversion of government healthcare and social security funds to privatized managed-care institutions (*Instituciones de Salud Previsional,* ISAPREs), which then could be bought by multinational insurance companies. Access to privatized social security funds—recently termed "the mañana pension bonanza" in a trade journal[6]—creates multibillion-dollar capital pools available for reinvestment by participating corporations.

Economic globalization also has facilitated multinational investment in managed care. Previous trade barriers have fallen, through such treaties as the General Agreement on Trade and Tariffs (GATT), the North American Free Trade Agreement (NAFTA), and the Common Market of the South (MERCOSUR), covering the southern cone of South America. The global operations of multinational corporations have led them to seek managed-care benefits for employees based abroad. For example, corporations with Mexico City operations, including IBM, Johnson & Johnson, Bristol-Myers Squibb, and Hewlett-Packard, have formed a consortium to enhance managed-care efforts.[7]

Impact on Healthcare and Public Health Programs

As in the United States, concerns about managed care in Latin America have focused on restricted access for vulnerable groups and reduced spending for clinical services as opposed to administration and return to investors. Copayments required under managed-care plans have introduced barriers to access and have increased strain on public hospitals and clinics. In Chile, approxi-

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mately 24 percent of patients covered by ISAPRE MCOs receive services annually in public clinics and hospitals because they cannot afford copayments averaging 8.6 percent of ISAPRE's overall collections. Self-management (*auto-gestión*) in Argentinian and Brazilian public hospitals requires competition for capitation payments from social security funds and private insurance, as well as patient copayments. To apply for free care at these public institutions, indigent patients now must undergo lengthy means-testing; at some hospitals, the rejection rate for such applications averages between 30 and 40 percent.

Public hospitals in Argentina that have not yet converted to managed-care principles are facing an influx of patients covered by privatized social security funds. For instance, in 1997, public hospitals in the city of Buenos Aires reported approximately 1.25 million outpatient visits by patients who were covered by the privately administered social security fund for retired persons. Before turning to public hospitals, these elderly patients had encountered barriers to access due to copayments, private practitioners' refusal to see them because of nonpayment by the social security fund, and bureaucratic confusion in the assignment of providers.

Latin American MCOs have also attracted healthier patients, while sicker patients gravitate to the public sector. In Chile, ISAPREs have aimed to capture capitations for younger workers without chronic medical conditions. As a result, only 3.2 percent of patients covered by ISAPREs are over sixty years old, in comparison to 8.9 percent of the general population and 12 percent of the patients seen at public hospitals and clinics.

Resistance to Managed Care and Alternative Proposals

The exportation of managed care is encountering opposition, which varies among countries. In Ecuador, a coalition comprised of unions, professional associations, educators, and Native American organizations is resisting the introduction of private managed-care operations within public services. During 1995, this coalition or-

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ganized voters in preparation for a national plebiscite that elicited the population's preferences concerning the privatization of eleven sectors of the economy, including healthcare, petroleum, transportation, and public utilities. For all eleven propositions in the plebiscite, approximately two-thirds of Ecuadorian voters opposed privatization. Since the plebiscite, the coalition has continued to work actively to resist privatization and has organized educational sessions concerning managed care as a component of initiatives to privatize healthcare and public health services.

In Brazil, physicians and public health activists have resisted the introduction of managed care. For instance, activists affiliated with the Brazilian national Workers Party (*Partido dos Trabalhadores*) have opposed privatization of public services under MCOs. Government officials representing this party, elected in Brasilia, Santos, Rio de Janeiro, and other cities, have worked to oppose privatization policies and to implement alternative proposals that strengthen public services at the municipal level. Members of the Workers Party and other political activists have emphasized that the revised Brazilian constitution of 1988 specifies access to healthcare as a right of citizenship, to be provided through a "unified health service." Organizing in the national and state legislatures has called attention to the contradiction between the constitution's mandates and privatization policies that encourage the introduction of managed care under for-profit corporations. In addition, large organizations of physicians have challenged managed-care principles and have worked together to enhance their power to bargain collectively with MCOs. One example involves UNIMED, an organization of health professionals which has established itself as an economic "cooperative" whose members include thousands of physician practitioners. UNIMED has succeeded in limiting the control of large MCOs over the conditions of medical practice and also has tried to oppose some of the initiatives that would privatize public-sector services under the auspices of managed care.

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MCOs have encountered less-organized resistance in other countries like Argentina, Chile, and Colombia, where prior dictatorships or authoritarian governments have facilitated the privatization of public services. On the other hand, professional associations and unions have organized campaigns against the entry of MCOs into public systems. In Chile, the national medical association (*Colegio Médico*) has resisted the expansion of the ISAPREs through the use of the public national health fund (*Fondo Nacional de Salud,* FONASA). In Argentina, health professionals have collaborated with a national organization of labor unions (*Central de Trabajadores Argentinos,* CTA) in educational efforts to encourage debate concerning privatization and managed care. As result of these efforts, an intense social movement in the Argentine province of Córdoba has impeded the privatization of public health and social security services. An international coalition of unions representing public-sector workers, Public Services International, also has helped organize opposition to managed care in several countries.

The Political Reconstruction of Common Sense

As their expansion slows in the United States, MCOs predictably will continue to enter new markets abroad. Investors view the opening of managed care in Latin America as a lucrative business opportunity. As public-sector services and social security funds are cut back, privatized, and reorganized under managed care, with the support of international lending agencies, the effects of these reforms on access to preventive and curative services will hold great importance throughout the third world.

Ideologically, there is an attempt to forge a new "common sense" which will become a socially shared truth. Many of those referred to as experts in the healthcare environment contribute to the construction of this new common sense by promoting the following eleven fundamentals from which to rethink the system:

1. the crisis in health stems from financial causes;

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2. management introduces a new and indispensable administrative rationality to resolve the crisis;

3. clinical decisions should be subordinated to this new rationality if cost control is desired;

4. efficiency increases if financing is separated from service delivery, and if competition is generalized among all subsectors (state, social security, and private);

5. the market in health should be developed because it is the best regulator of quality and costs;

6. demand rather than supply should be subsidized;

7. making labor relationships flexible is the best mechanism to achieve efficiency, productivity, and quality;

8. private administration is more efficient and less corrupt than public administration;

9. payments for social security are each worker's property;

10. deregulation of social security allows the user freedom of choice, to be able to opt for the best administrator of his or her funds;

11. the transition of the user/patient/beneficiary to client/consumer assures that rights are respected.

These ideological claims represent a profound reconstruction of common sense. Diagnoses that speak of inefficiency in the management of state institutions and social security, of shortages in resources that restrict access, of excessive bureaucratization, of limited capacity to respond to the population's demands, of escalating costs—all become self-evident truths increasingly shared by users and healthcare workers as part of their lived experiences. They are then turned into justifications for reform proposals. This makes possible the transformation of common sense concerning the processes of health, illness, and services—little by little, making the commercialization of all the relationships established in these processes appear natural. Assumptions that were sustained during many years, especially for public health advocates, and that conveyed the idea that the health was a state responsibility and a public good, have given way to the "complex" discourses of privatization,

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economic restructuring, and fiscal conservatism. Would-be progressives often come to accept these discourses even while trying to distance themselves from the neoliberal project.

Against these discourses, it is important to show that such interpretations do not constitute truth, but rather the imposition of views defined by financial interests. Reform, as sought by official discourses, is not the only option, nor the best, from the perspective of a population's health. Many groups are working on alternative projects which defend health as a public good. These movements are stronger in some Latin American countries than in others. Similar movements have begun in Africa and Asia. Increasingly, this struggle is being recognized not only as a class struggle, but also as a part of the struggle against imperialism—which has now taken on the new guise of rescuing third-world countries from rising healthcare costs and inefficient bureaucracies through the imposition of neoliberal managed-care solutions exported from the United States. In this realm, as in many others, the need for international solidarity among those resisting the logic of the global system is paramount.

NOTES

1. J. C. Lewis, "Latin American Managed Care Partnering Opportunities," paper presented to the Eighth Congress of the Association of Latin American Pre-paid Health Plans (ALAMI), Sao Paulo, Brazil, November 8, 1996.
2. The institutions and investigators participating in the World Health Organization-sponsored study of managed care in Latin America were the University of Buenos Aires, Argentina (Celia Iriart, Silvia Faraone, Marcela Quiroga, and Francisco Leone); the University of Campinas, Brazil (Emerson Elias Merhy, Florianita Coelho Braga Campos); the Group for Research and Teaching in Social Medicine (*Grupo de Investigación y Capacitación en Medicina Social*), Santiago, Chile (Alfredo Estrada, Enrique Barilari, Silvia Riquelme, Jaime Sepúlveda, Marilú Soto, and Carlos Montoya); the Center for Research and Consultation in Health (*Centro de Estudios y Asesoría en Salud*), Quito, Ecuador (Arturo Campaña, Jaime Breilh, Marcos Maldonado, Francisco Hidalgo); and the University of New Mexico (Howard Waitzkin, Karen Stocker). The study's overall coordinators were Celia Iriart and Howard Waitzkin. An earlier report on this work appeared in K. Stocker, H. Waitzkin, and C. Iriart, "The Exportation of Managed Care to Latin America," *New England Journal of Medicine* 340 (1999): 1131-1136. The U.S.-based research was also supported in part by the Agency for Health Care Policy and Research (1R01 HS09703).
3. World Bank, *World Development Report 1993: Invest in Health* (Washington, DC: World Bank, 1993).

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4. A. C. Laurell and O. Lopez, "Market Commodities and Poor Relief: The World Bank Proposal for Health," *International Journal of Health Services* 26 (1996): 1-18. For a critique of World Bank policies in the context of India, see M. Rao, ed., *Disinvesting in Health: The World Bank's Prescriptions for Health* (New Delhi: Sage, 1999); for Africa, see M. Turshen, *Privatizing Health Services in Africa* (New Brunswick, NJ: Rutgers University Press, 1999).
5. L. Kertesz, "The New World of Managed Care," *Modern Healthcare* (November 1997): 114-120.
6. M. Tangeman, "The Mañana Pension Bonanza," *Institutional Investor* 31, 2 (1997): 69-72.
7. R. Ceniceros, "Managed Care Makes Inroads in Latin America," *Business Insurance* (October 6, 1997): 3-6.

Guidelines for Submissions

General

Articles should be no more than 3000 to 4000 words, and book reviews between 1500 and 2000 words. Manuscripts should be submitted in hard copy (three copies, please) with a disk included (with text saved in WordPerfect 6.0, Microsoft Word 6.0, Rich Text Format, or ASCII). You may also submit by email instead of by mail; please do not send a submission in both formats. If an email submission is accepted, we will request a hard copy for formatting purposes.

Email submissions (as attachments, with text saved as above) to mrmag@monthlyreview.org or mail hard copies plus disk to: Vicki Larson, Assistant Editor, Monthly Review, 122 West 27 Street, 10th floor, New York, NY 10001 USA. Please include name, address, telephone, and fax numbers, and an email address if you have one. It may take up to two months for us to reach a decision about your piece. Questions should be addressed to Vicki Larson at (212) 691-2555 or at mrmag@monthlyreview.org. We will acknowledge articles upon receipt. Please send a self-addressed, stamped envelope if you would like us to send you a complete style sheet.

Style

Monthly Review follows the *Chicago Manual of Style*, 14th edition.

Use U.S. spelling, not British (except where necessary in quotations).

If you must use notes, please use endnotes rather than footnotes. Endnotes should be fewer than five.

Upon first usage, please spell out an organization's name and follow it with its acronym: International Monetary Fund (IMF). Thereafter, use only the acronym, without periods (IMF, not I.M.F.).

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Why Socialism?

by Albert Einstein

Is it advisable for one who is not an expert on economic and social issues to express views on the subject of socialism? I believe for a number of reasons that it is.

Let us first consider the question from the point of view of scientific knowledge. It might appear that there are no essential methodological differences between astronomy and economics: scientists in both fields attempt to discover laws of general acceptability for a circumscribed group of phenomena in order to make the interconnection of these phenomena as clearly understandable as possible. But in reality such methodological differences do exist. The discovery of general laws in the field of economics is made difficult by the circumstance that observed economic phenomena are often affected by many factors which are very hard to evaluate separately. In addition, the experience which has accumulated since the beginning of the so-called civilized period of human history has—as is well known—been largely influenced and limited by causes which are by no means exclusively economic in nature. For example, most of the major states

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of history owed their existence to conquest. The conquering peoples established themselves, legally and economically, as the privileged class of the conquered country. They seized for themselves a monopoly of the land ownership and appointed a priesthood from among their own ranks. The priests, in control of education, made the class division of society into a permanent institution and created a system of values by which the people were thenceforth, to a large extent unconsciously, guided in their social behavior.

But historic tradition is, so to speak, of yesterday; nowhere have we really overcome what Thorstein Veblen called "the predatory phase" of human development. The observable economic facts belong to that phase and even such laws as we can derive from them are not applicable to other phases. Since the real purpose of socialism is precisely to overcome and advance beyond the predatory phase of human development, economic science in its present state can throw little light on the socialist society of the future.

Second, socialism is directed towards a social-ethical end. Science, however, cannot create ends and, even less, instill them in human beings; science, at most, can supply the means by which to attain certain ends. But the ends themselves are conceived by personalities with lofty ethical ideals and—if these ends are not stillborn, but vital and vigorous—are adopted and carried forward by those many human beings who, half unconsciously, determine the slow evolution of society.

For these reasons, we should be on our guard not to overestimate science and scientific methods when it is a question of human problems; and we should not assume that experts are the only ones who have a right to express themselves on questions affecting the organization of society.

Innumerable voices have been asserting for some time now that human society is passing through a crisis, that its stability has been gravely shattered. It is characteristic of such a situation that individuals feel indifferent or even hostile toward the group, small or large, to which they belong. In order to illustrate my meaning, let me record here a personal experience. I recently discussed with

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an intelligent and well-disposed man the threat of another war, which in my opinion would seriously endanger the existence of mankind, and I remarked that only a supra-national organization would offer protection from that danger. Thereupon my visitor, very calmly and coolly, said to me: "Why are you so deeply opposed to the disappearance of the human race?"

I am sure that as little as a century ago no one would have so lightly made a statement of this kind. It is the statement of a man who has striven in vain to attain an equilibrium within himself and has more or less lost hope of succeeding. It is the expression of a painful solitude and isolation from which so many people are suffering in these days. What is the cause? Is there a way out?

It is easy to raise such questions, but difficult to answer them with any degree of assurance. I must try, however, as best I can, although I am very conscious of the fact that our feelings and strivings are often contradictory and obscure and that they cannot be expressed in easy and simple formulas.

Man is, at one and the same time, a solitary being and a social being. As a solitary being, he attempts to protect his own existence and that of those who are closest to him, to satisfy his personal desires, and to develop his innate abilities. As a social being, he seeks to gain the recognition and affection of his fellow human beings, to share in their pleasures, to comfort them in their sorrows, and to improve their conditions of life. Only the existence of these varied, frequently conflicting, strivings accounts for the special character of a man, and their specific combination determines the extent to which an individual can achieve an inner equilibrium and can contribute to the well-being of society. It is quite possible that the relative strength of these two drives is, in the main, fixed by inheritance. But the personality that finally emerges is largely formed by the environment in which a man happens to find himself during his development, by the structure of the society in which he grows up, by the tradition of that society, and by its appraisal of particular types of behavior. The abstract concept "society" means to the individual human being the sum total

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of his direct and indirect relations to his contemporaries and to all the people of earlier generations. The individual is able to think, feel, strive, and work by himself; but he depends so much upon society—in his physical, intellectual, and emotional existence—that it is impossible to think of him, or to understand him, outside the framework of society. It is "society" which provides man with food, clothing, a home, the tools of work, language, the forms of thought, and most of the content of thought; his life is made possible through the labor and the accomplishments of the many millions past and present who are all hidden behind the small word "society."

It is evident, therefore, that the dependence of the individual upon society is a fact of nature which cannot be abolished—just as in the case of ants and bees. However, while the whole life process of ants and bees is fixed down to the smallest detail by rigid, hereditary instincts, the social pattern and interrelationships of human beings are very variable and susceptible to change. Memory, the capacity to make new combinations, the gift of oral communication have made possible developments among human being which are not dictated by biological necessities. Such developments manifest themselves in traditions, institutions, and organizations; in literature; in scientific and engineering accomplishments; in works of art. This explains how it happens that, in a certain sense, man can influence his life through his own conduct, and that in this process conscious thinking and wanting can play a part.

Man acquires at birth, through heredity, a biological constitution which we must consider fixed and unalterable, including the natural urges which are characteristic of the human species. In addition, during his lifetime, he acquires a cultural constitution which he adopts from society through communication and through many other types of influences. It is this cultural constitution which, with the passage of time, is subject to change and which determines to a very large extent the relationship between the individual and society. Modern anthropology has taught us,

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through comparative investigation of so-called primitive cultures, that the social behavior of human beings may differ greatly, depending upon prevailing cultural patterns and the types of organization which predominate in society. It is on this that those who are striving to improve the lot of man may ground their hopes: human beings are *not* condemned, because of their biological constitution, to annihilate each other or to be at the mercy of a cruel, self-inflicted fate.

If we ask ourselves how the structure of society and the cultural attitude of man should be changed in order to make human life as satisfying as possible, we should constantly be conscious of the fact that there are certain conditions which we are unable to modify. As mentioned before, the biological nature of man is, for all practical purposes, not subject to change. Furthermore, technological and demographic developments of the last few centuries have created conditions which are here to stay. In relatively densely settled populations with the goods which are indispensable to their continued existence, an extreme division of labor and a highly-centralized productive apparatus are absolutely necessary. The time—which, looking back, seems so idyllic—is gone forever when individuals or relatively small groups could be completely self-sufficient. It is only a slight exaggeration to say that mankind constitutes even now a planetary community of production and consumption.

I have now reached the point where I may indicate briefly what to me constitutes the essence of the crisis of our time. It concerns the relationship of the individual to society. The individual has become more conscious than ever of his dependence upon society. But he does not experience this dependence as a positive asset, as an organic tie, as a protective force, but rather as a threat to his natural rights, or even to his economic existence. Moreover, his position in society is such that the egotistical drives of his make-up are constantly being accentuated, while his social drives, which are by nature weaker, progressively deteriorate. All human beings, whatever their position in society, are suffering from this process of deterioration. Unknowingly prisoners of their own egotism,

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they feel insecure, lonely, and deprived of the naive, simple, and unsophisticated enjoyment of life. Man can find meaning in life, short and perilous as it is, only through devoting himself to society.

The economic anarchy of capitalist society as it exists today is, in my opinion, the real source of the evil. We see before us a huge community of producers the members of which are unceasingly striving to deprive each other of the fruits of their collective labor—not by force, but on the whole in faithful compliance with legally established rules. In this respect, it is important to realize that the means of production—that is to say, the entire productive capacity that is needed for producing consumer goods as well as additional capital goods—may legally be, and for the most part are, the private property of individuals.

For the sake of simplicity, in the discussion that follows I shall call "workers" all those who do not share in the ownership of the means of production—although this does not quite correspond to the customary use of the term. The owner of the means of production is in a position to purchase the labor power of the worker. By using the means of production, the worker produces new goods which become the property of the capitalist. The essential point about this process is the relation between what the worker produces and what he is paid, both measured in terms of real value. Insofar as the labor contract is "free," what the worker receives is determined not by the real value of the goods he produces, but by his minimum needs and by the capitalists' requirements for labor power in relation to the number of workers competing for jobs. It is important to understand that even in theory the payment of the worker is not determined by the value of his product.

Private capital tends to become concentrated in few hands, partly because of competition among the capitalists, and partly because technological development and the increasing division of labor encourage the formation of larger units of production at the expense of smaller ones. The result of these developments is an oligarchy of private capital the enormous power of which cannot

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be effectively checked even by a democratically organized political society. This is true since the members of legislative bodies are selected by political parties, largely financed or otherwise influenced by private capitalists who, for all practical purposes, separate the electorate from the legislature. The consequence is that the representatives of the people do not in fact sufficiently protect the interests of the underprivileged sections of the population. Moreover, under existing conditions, private capitalists inevitably control, directly or indirectly, the main sources of information (press, radio, education). It is thus extremely difficult, and indeed in most cases quite impossible, for the individual citizen to come to objective conclusions and to make intelligent use of his political rights.

The situation prevailing in an economy based on the private ownership of capital is thus characterized by two main principles: first, means of production (capital) are privately owned and the owners dispose of them as they see fit; second, the labor contract is free. Of course, there is no such thing as a *pure* capitalist society in this sense. In particular, it should be noted that the workers, through long and bitter political struggles, have succeeded in securing a somewhat improved form of the "free labor contract" for certain categories of workers. But taken as a whole, the present day economy does not differ much from "pure" capitalism.

Production is carried on for profit, not for use. There is no provision that all those able and willing to work will always be in a position to find employment; an "army of unemployed" almost always exists. The worker is constantly in fear of losing his job. Since unemployed and poorly paid workers do not provide a profitable market, the production of consumers' goods is restricted, and great hardship is the consequence. Technological progress frequently results in more unemployment rather than in an easing of the burden of work for all. The profit motive, in conjunction with competition among capitalists, is responsible for an instability in the accumulation and utilization of capital which leads to increasingly severe depressions. Unlimited competition leads

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to a huge waste of labor, and to that crippling of the social consciousness of individuals which I mentioned before.

This crippling of individuals I consider the worst evil of capitalism. Our whole educational system suffers from this evil. An exaggerated competitive attitude is inculcated into the student, who is trained to worship acquisitive success as a preparation for his future career.

I am convinced there is only *one* way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow men in place of the glorification of power and success in our present society.

Nevertheless, it is necessary to remember that a planned economy is not yet socialism. A planned economy as such may be accompanied by the complete enslavement of the individual. The achievement of socialism requires the solution of some extremely difficult socio-political problems: how is it possible, in view of the far-reaching centralization of political and economic power, to prevent bureaucracy from becoming all-powerful and overweening? How can the rights of the individual be protected and therewith a democratic counterweight to the power of bureaucracy be assured?

Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the foundation of this magazine to be an important public service.

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CORRESPONDENCE

Rejoinder to Leo Panitch and Sam Gindin

by James K. Galbraith

In the early summer of 1999, libertarian John Stossel from ABC Television interviewed me at length on my views of unemployment and inequality in Europe and the United States. In the end, only a tiny video bite aired. In it, I stated that I did think Europeans might learn something from recent U.S. experience. Stossel portrayed this as a conversion to his own free-market views. It was a gross misinterpretation of the views I actually hold, as was quickly pointed out by the advocacy group FAIR, and eventually also in a story on Stossel by *Brill's Content* early this year.

Now come Sam Gindin and Leo Panitch, making exactly the same mistake for *Monthly Review* (vol 51, no. 10; March 2000). Pedro Conceicao, Pedro Ferreira, and I do end our recent article in the *New Left Review* with the provocative enjoinder, "Do it the American way." Gindin and Panitch present this to unwary readers

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of *MR* as an endorsement of the views of the *Economist* and the *Wall Street Journal.* It is, once again, nothing of the kind.

The point of our article, "Inequality and Unemployment in Europe: The American Cure," was to *attack* on empirical grounds the doctrine that U.S. full employment was purchased by rising inequality, alongside the corresponding notion that European unemployment can be cured by cutting minimum wages and dismantling the welfare state. We show, in a fair comparison which includes the large differences in income levels *across* as well as within European countries, that pay inequalities in Europe taken as a whole are actually *higher* than in the United States. (Astonishing, perhaps, but true.) Meanwhile unemployment rates across European countries are systematically higher where income levels are low—they are much higher in (say) Spain, with low incomes and a weak welfare state, than in rich and generous Denmark. In short: inequality is bad for unemployment; equality and fuller employment go together.

This finding suggests that instead of chasing the chimera of "flexible labor markets," Europeans should concentrate on *reducing* international inequalities, and bringing up income levels, especially in Spain, Italy, Portugal, and Greece. One way to do this would be to emulate the U.S. social security system—extending common pension rights and disability protections across the whole of Europe. A continental version of the U.S. Earned Income Tax Credit would sensibly raise the disposable incomes of the low-paid. So would, eventually, the phased introduction of a common continental minimum wage. And so would a monetary policy aimed at full employment, rather than the ECB's misbegotten constitutional target of price stability. The United States has achieved a high level of interregional convergence since adopting these policies under the New Deal and Great Society. Our argument is that Europeans should look to these progressive moments in U.S. history, and not to Thatcher and Reagan, for the model they need now.

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The *NLR* paper has attracted attention in Europe: the *Guardian* gave it a full page, as did *Cinco Dias* in Madrid; *Berliner Debatte* translated and republished it, and a story has appeared in a leading Swiss financial magazine, *CASH*. European progressives see both its common sense and its political edge. For we cut the ground from under the most powerful supposed example that the European right has available to it in its continuing assault on the welfare state.

In North America, though, we are meeting a bipartisan resistance of closed minds. Elements of both right and left here prefer to see the United States as a poster-case for Reaganism, the former to admire it and the latter in order to moan and wring their hands. So it is for Gindin and Panitch. They use us exactly as John Stossel did, as a stage prop, freely misinterpreting our position so as to take a pot shot at the *New Left Review*. And by failing to give *MR*'s readers any idea of what we actually wrote, they do a disservice to all who agree, as we do, that the cause of "international equality" should be an important element of the progressive agenda.

Panitch and Gindin Reply

At one time, a defeated left in the United States, facing the onslaught of neoliberalism in the 1980s, pointed defensively to social democracy in Europe. This reduced socialist vision was founded on a static analysis that ignored emerging capitalist contradictions, already tearing apart even the Swedish model. Exemplifying the impoverishment of this kind of thinking, James Galbraith now designates the United States as a social democratic model for Europe—even after the social safety net has been further torn by Clinton's Democrats. This is a so-called social democracy without a social democratic party (let alone government), with the lowest levels of unionization in the advanced capitalist world, no universal public healthcare program, the largest prison population anywhere, and a lower life expectancy for blacks than in many "underdeveloped" countries.

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It is of course worthwhile to try to counter neoliberal calls for a reduction in the social wage in Europe, but no serious analysis can base this on constructing an artificial and ahistorical Europe or United States out of aggregate continental income statistics. Galbraith does not actually compare the United States with any welfare state in Europe. What would happen to his analysis if, for example, he compared Germany to the United States? Or all of Europe to the whole of North America? And does it take two Canadians to point out that the United States is not a "continental welfare state," not only because it is not a welfare state but because it does not constitute the whole of the North American continent? What if Galbraith's analysis included Mexico—let alone if he extended his data to include the emerging common market with Central America?

To have called *New Left Review* "once the home and hope for a rejuvenation of creative Marxism" is hardly to take a "pot shot" at that journal. It is only to recognize, as Perry Anderson does in his manifesto for a relaunched *NLR*, the extent of the defeat of the Marxist left in recent decades. Our essay addressed how socialists could regain their vision. We can think of no more "unnecessary utopia"—nor one that is more offensive and exemplifies more clearly the degeneration of socialist analysis as well as imagination—than one that puts forth an illusory U.S. social democracy as a model for the rest of the world to emulate.

There is no way forward in limiting our vision to a choice between Clinton's United States and Blair's Europe. In fact, the real danger of calling the United States "social democratic" is that this may be used as ideological cover by those who are turning European labor and social democratic parties into facsimiles of the U.S. Democratic Party. This further evisceration of socialist alternatives may be the most insidious form U.S. imperialism is taking today, as it fosters globalization amidst ever greater international inequalities. Galbraith's social democratic American dream is, for much of the world, the American capitalist nightmare.

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BOOKS

Seeing the Forest *and* the Trees: The Politics of Rachel Carson

by Ellen Leopold

Lost Woods: The Discovered Writing of Rachel Carson, edited and with an introduction by Linda Lear (Boston: Beacon Press, 1999), 288 pp., $16.00, paperback.

Lost Woods brings Rachel Carson back into the public realm. This collection of her writings, selected by her biographer, Linda Lear, reminds us yet again of the extraordinary range of her talents and the equally extraordinary use to which she put them. The book offers, in one modest volume, a taste of all the pleasures to be found in Carson's longer works. Through a careful choice of speeches, articles, field notes, and letters, presented in chronological order, Lear allows us to witness, in Carson's own words, her transformation from a natural scientist to a political advocate for the environment.

Ellen Leopold is the author of *A Darker Ribbon: Breast Cancer, Women, and Their Doctors in the Twentieth Century* (Boston: Beacon Press, 1999). The book includes the correspondence of Rachel Carson, who died of breast cancer in 1964, and her consultant, George Crile, Jr., M.D.

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Much of the first half is devoted to brief pieces of Carson's nature writing that illustrate her reverence for the mysteries and the great antiquity of life. Writing of the role of winds and air currents in populating island ecosystems, Carson tells us that "airmen have passed through great numbers of the white, silken filaments of spiders' 'parachutes' at heights of two to three miles." The migrations of the Chesapeake eels are equally miraculous. After ten or twenty years of contented life among the mud banks and marshes, they take it upon themselves to return to their breeding grounds, a thousand miles away in the Sargasso Sea. What guides them in their travels is still unknown. In the air, the annual migrations of birds mirror the same curious journeys undertaken by eels and other fish in the sea. Carson describes the evolution of richly varied island life over millions of years as the "stocking of an island." The stories she tells of living creatures guided by unfathomable impulses serve in a parallel way to "stock" our imaginations. There is, apparently, an infinite number of solutions to the challenge of life.

As Linda Lear aptly describes her in the subtitle of her biography, Carson was a "witness for nature." In describing the patterns of the winds or sea currents or the habitats of larvae, she writes as a transparent narrator, conveying her own fascination with the subject without drawing attention to herself. She puts nature center stage, emphasizing the complex processes of life evolving eons before the arrival of humans. These enduring life-forms negotiate their environments in ways wholly foreign to human beings—and they have been doing so for much longer. By trying to get to *their* perspective on life, Carson continually adjusts the angle on *our own.* Her distress at the consequences of human warfare, for instance, is focused not on the decimation of human lives but on the damage or destruction of wildlife for which *both* sides in any conflict are responsible. (In the war in the Pacific in the 1940s, for example, planes killed thousands of birds, especially those flying at night; other large birds like albatrosses and petrels fell into foxholes, where they starved to death.)

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Carson's obligations were to the natural world as a whole rather than to any one tribe within it. She was no more likely to discriminate among Linnaean classes of *in*vertebrates than among Marxist classes of vertebrates. Her politics were ecological, not ideological. She perceived the relationship of organisms to their environment as a continuous chain of events, in which every link played a critical role, rather than as a series of decisive struggles between the weak and the strong. The disruption of this continuity, through "man's habitual tampering with Nature's balance," had not one but many victims, to be found at every point along the food chain. Leaves sprayed with pesticides fell to the ground and became food for earthworms. The following spring, robins consumed a lethal dose of those earthworms and died.

Granting no special privileges to human beings freed Carson from a narrowly instrumental view of nature that saw the earth as a vast repository of wealth to be exploited and appropriated by humans. For Carson, proper stewardship came first; ownership became an issue only when it conflicted with nature's capacity to renew itself unharmed. Carson did not object to land being held in private hands, minerals being mined, wilderness being claimed for agriculture, or even to pesticides being used—occasionally and sparingly. She did object to irresponsible interference with natural resources for short-term gain (political or economic) that turned its back, with impunity, on the long-term consequences for the environment. Gradually, as her concerns brought her ever closer to the driving forces behind the widespread destruction of natural life, she understood that much more was at stake and that she would have to take her private passions into public—and political—arenas.

The transition between Carson as observer and Carson as activist is marked in *Lost Woods* by a letter she wrote to the *Washington Post* in 1953. It protested the sacking of professional conservationists from high-level government posts in the Fish and Wildlife Service and the Bureau of Land Management by newly elected Republicans. Their replacement with political appointees boded ill for

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"the real wealth of the Nation . . . the resources of the earth—soil, water, forests, minerals and wildlife." The heavy-handed intervention suggested to Carson that the way "was being cleared for a raid upon our national resources. . . . The proposed giveaway of our offshore oil reserves and the threatened invasion of national parks, forests and other public lands." Writing at the height of McCarthyism, Carson concluded, "It is one of the ironies of our time that, while concentrating on the defense of our country against enemies from without, we should be so heedless of those who would destroy it from within."

Carson fired off another letter to the *Post* in 1959, in response to an editorial discussing the effects of an extremely harsh winter on migrating birds. This was the first public salvo in her war against the indiscriminate use of pesticides. (*Silent Spring* was published three years later.) In it, she quotes a British ecologist who refers to the rise in pesticide use as "an amazing rain of death upon the surface of the earth."

The image resonated with Carson's own fears of radioactive fallout and her concerns about the dangers of atomic waste disposal, as poorly understood at the time as the long-range implications of pesticides. (The United States and other nuclear powers had been dumping radioactive wastes in the sea since 1946.) In a preface to the second edition of *The Sea Around Us,* Carson highlighted the dangers of "a problem that is far more complex and far more hazardous than has been admitted. . . . The truth is that (radioactive waste) disposal has proceeded far more rapidly than our knowledge justifies. To dispose first and investigate later is an invitation to disaster . . . "

Carson could just as easily have been warning of the premature applications of pesticides as the dangers of waste disposal at sea. In both cases, scientific prudence had been sacrificed, as she put it in a speech to the Women's National Press Club, "to serve the gods of profit and production." Strategies had been adopted, synthetic chemicals had been released into the land, the air, and the sea before science had determined that they were safe. The

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demands of industry and commerce were simply too urgent and too powerful to be tethered to the overcautious concerns of the public health officer. It was much easier simply to assume that chemicals were innocent until proven guilty than to await the scientific all-clear.

Rachel Carson was one of the first scientists to recognize the difficulties that this would present to those seeking to curb the use of toxic chemicals. Conventional science traditionally tests substances one at a time. The prospect of ever being able to disentangle the effects of multiple exposures to thousands of different chemicals in order to identify the risks associated with each one individually is close to nil. But the lack of evidence demonstrating toxicity does not guarantee that a substance is not toxic, simply that the conventional approach to science makes such an assessment impracticable. Not surprisingly, there is no "data" at all on most suspected carcinogens.

"Sound science," therefore, has become the refuge and rallying cry of the chemical industries. For the great majority of potentially harmful chemicals, it is tantamount to "no science." For the small minority of cases where it can be put to use, the tool of choice is risk assessment applied to cost/benefit analysis. Developed as an environmental tool in the 1970s, risk assessment vastly overestimates the ability of science to predict harm in what are extremely complex ecological and human systems. It is used to quantify and manage risk, not to eliminate it. It asks what levels of exposure are safe rather than how to move toward cleaner alternatives. Most of the assumptions it makes—about exposures, dose-response, extrapolations from animals to humans—are based on subjective and sometimes arbitrary decisions. Yet it provides a respectable cover for all kinds of environmental posturing. The same Al Gore who wrote a glowing introduction to an anniversary edition of *Silent Spring* cited "sound science" to justify the creation of an advisory panel that effectively delayed the phasing-out of several pesticides—all used heavily in states (such as Iowa, Florida, Texas, and California) that are key to Gore's election campaign. Environ-

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mental and public interest groups quit the panel in 1999, citing the EPA's unwillingness "to make hard choices."

To the idealistic Carson, the solution to this dilemma was to *forestall* the possibility of harm by withdrawing or withholding from use any substance not proven to be safe. "The burden of proof," Carson argued in her last public appearance, "is on those who would use these chemicals to prove the procedures are safe." This strategy has now been elaborated in the Precautionary Principle, a decision-making tool honed at a conference of activists, scientists, and scholars in Wisconsin in 1998. It argues that legislation does not need to wait upon science and that, even in the context of scientific uncertainty, polluters should be made to demonstrate both a clear necessity to undertake any hazardous activity and the absence of any safer alternative.

Older environmental strategies that played the "science" game and relied upon risk assessments to make their case have clearly met with limited success. The production of pesticides has increased by 400 percent since the publication of *Silent Spring*. Their widespread use leads to roughly 110,000 poisonings and twenty-five recorded human deaths annually. Routine agricultural spraying kills sixty-seven million birds a year—a fact which would be particularly distressing to Rachel Carson.

Agribusiness is now much better organized than it was in Carson's day. The lobbying of chemical corporations (whose tax-deductible status Carson vehemently objected to in the early 1960s) now wields influence on a scale she would find unimaginable. As a contender, the Precautionary Principle seems a thin reed, unlikely to stand up to gale-force lobbying by the chemical industry. Yet its proponents argue that it is already embodied in many current policies. The United States, they argue, did sign and ratify the Rio Declaration, binding on the Environmental Protection Agency (EPA), at the United Nations Conference on Environment and Development in 1992. This stated:

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> Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

But that "cost-effective"—there's the rub. Inserted at the insistence of the U.S. delegation, it makes it clear that where the demand for "scientific certainty" fails to protect corporate interests, the underlying economic imperatives that it serves will move to the fore. Of course, the use of cost/benefit analysis guarantees that the ball will remain in the profit-maximizers' court.

Still, in the absence of any more hard-hitting campaigns to control the spread of toxic chemicals, the Precautionary Principle today may be no more quixotic than the gauntlet to the chemical industries thrown down by an independent woman scientist in a book written almost forty years ago. *Lost Woods* reminds us again of the scale of the opposition Carson faced and of the very *improbability* of her success. This is a message we need to hear.

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We record with sorrow the death of our old friend and longtime *MR* supporter Hazel Wolf. Hazel was one of the most beloved environmental activists in the United States and wrote "Relief for Unemployed Forest Workers," for the February 1992 issue of *MR*. She died on January 19, 2000, at age 101.

Hazel was born on March 10, 1898, in Victoria, British Columbia. As a young woman, she was enthusiastic about the Russian Revolution and joined the Communist Party. During the Depression, Hazel, who had moved to Seattle with her daughter, worked for the Works Progress Administration—from which she was fired for trying to organize a union. Later, during the McCarthy era, she was investigated by the FBI and also by the immigration service, which arrested her as a seditious alien and attempted to deport her. Hazel worked for many years as a legal secretary for a civil-rights lawyer. After retiring in 1965, she joined the Audubon Society and went on a bird-watching expedition across the nation. When she returned home, she began organizing on behalf of Audubon. She co-founded the Seattle Audubon Society, where she worked as a secretary for thirty-seven years, and organized twenty-one of the twenty-six Audubon chapters in the region. In her eighties, she studied Spanish and traveled to Nicaragua to support the Sandinistas. She was sent as an observer to the 1990 Nicaraguan elections. Studs Terkel, who portrayed Hazel in his book *Coming of Age* (1995), declared that she was one of two things that made Seattle special: "You have the Mariners and you have Hazel Wolf." In 1996, on her ninety-eighth birthday, Washington State Governor Michael Lowry declared March 10 "Hazel Wolf Day."

Hazel was disappointed that she was unable, due to a broken hip, to be a part of the anti-WTO protests in Seattle. But she did see one of her life's ambitions satisfied: living in three centuries. Nine hundred people, including the governor, jammed into the Town Hall on Seattle's Capitol Hill for the memorial service. Hazel's advice to a friend on how to save the environment was recalled: "Organize. Organize. Organize." There is no doubt that what the United States needs now is many, many more Hazel Wolfs. Those wishing to make contributions in Hazel's memory are urged to send them to her favorite charity: Kids for the Environment. Checks can be mailed in care of the Seattle Audubon Society, 80560 35th Ave. NE, Seattle, WA, 98115.

***

A compact disc recording of Monthly Review's historic fiftieth anniversary celebration is now available, featuring Ossie Davis, Cornel West, Michael Tigar, Adrienne Rich, and a delightful performance of Yip Harburg songs by cabaret artist Phillip Officer. Doug Dowd is your host, and Magdoff, Sweezy, and Wood round out the evening. The cost is $12.95, plus $3 for first-class postage. To order, call 800-670-9499 or send check or charge to MR, 122 W. 27 Street, NY, NY 10001.

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(continued from inside front cover)

that same period) could be largely explained away by saying that Einstein was "well-meaning but naive" (a more polite way of referring to him as a "dupe"). It went on to close the initial section of its "Person of the Century" feature by saying that Einstein's "humane and democratic instincts are 'an ideal political model for the 21st century' [a quote from Harvard physicist and historian Gerald Holton], embodying the very best of this century as well as our highest hopes for the next. What more could we ask of a man to personify the past 100 years?"

We agree fully with this last statement. Yet, we note that *Time* neglected altogether to mention what was at the heart of Einstein's "humane and democratic" vision—namely his advocacy for socialism. And it was, of course, the latter—as well as his resistance to McCarthyism—that led *Life* to list him as not only a communist "dupe," but also a "fellow traveler."

Indeed, what *Time* scrupulously avoided telling the readers of its "Person of the Century" issue is that the McCarthyite witch-hunt was extended, almost from the outset, to Einstein himself, who came under heightened surveillance by the FBI at the direct order of J. Edgar Hoover, beginning in 1949. Hence, the publication of "Why Socialism?" in *MR* was of great interest to the FBI. Einstein's FBI file includes the following entries (available at http://www.foia.fbi.gov/einstein/einstein6a.pdf/): (1) "advised that in April, 1949 a circular was distributed in the Nashua, New Hampshire area, announcing a new magazine entitled 'Monthly Review,' 'an independent Socialist magazine.' The first issue was dated to come out as the May, 1949 edition. The first issue would contain articles by Albert Einstein—'Why Socialism;' Paul M. Sweezy—'Recent Development [*sic*] in American Capitalism;' Otto Nathan—'Transition to Socialism in Poland;' Leo Huberman—'Socialism and American Labor.'" (2) "advised the New York Office that the 'Monthly Review,' 66 Barrow Street, New York City, self proclaimed 'an independent Socialist magazine' made its initial appearance in May of 1949. The first issue contained articles by Albert Einstein and others. This report stated further that a study of the articles contained in a background check of the editors and contributors revealed that this magazine was Communist inspired, and followed the approved Communist Party line. [New York report, dated 1-30-50; Re: Internal Security]"

None of this—neither Einstein's advocacy of socialism nor the FBI's increased surveillance of him during the McCarthy era (much less the role of *MR*)—is discussed in *Time's* "Person of the Century" issue. Einstein, we are certain, would not have been in the least surprised by such silences and distortions in the establishment press. "Under existing conditions," he wrote in "Why Socialism?," "private capitalists inevitably control, directly or indirectly, the main sources of information (press, radio, education). It is thus extremely difficult, and in most cases quite impossible, for the individual citizen to come to objective conclusions and to make intelligent use of his political rights." It is this, in our view, that makes a magazine like *MR* so essential today—more than half a century later. We are immensely proud that Einstein chose to conclude "Why Socialism?" with the words: "Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the foundation of this magazine to be an important public service."

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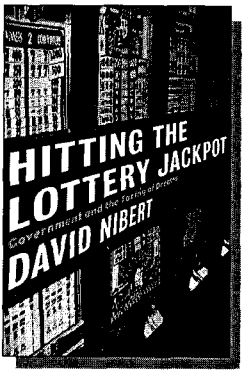
A LOTTO LOSERS



In a society like the United States where wealth is prized, laboring is devalued, and poverty is denigrated, it is not surprising that people with few resources invest much hope, and no small part of their meager resources, in lotteries.

HITTING THE LOTTERY JACKPOT

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by DAVID NIBERT

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